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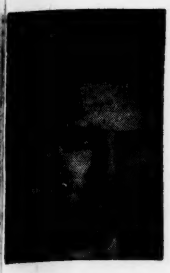
Urges Step-Rate Tax To Avert Revolt By Youth Against OASI

The social security OASI system depends so much on younger people paying the costs of older ones, a situation that will get increasingly acute, that it would be desirable to substitute a three-step tax rate basis for the present flat rate, according to Frank G. Dickinson, philanthropy study director of National Bureau of Economic Research and retired director of American Medical Assn.'s bureau of medical economic research. His suggestions are made in an article in the December issue of the Journal of Insurance, published by American Assn. of University Teachers of Insurance. Following is the portion of the article describing the three-step tax basis and telling why it would be desirable.



F. G. Dickinson

The emerging image of social security is similar to the image of fraternals. Fraternal assessment insurance was very popular in the United States at the turn of the century. These societies sprang up all over the country, particularly in the middle west, where men and women joined together to form these societies (lodges) not only from a desire for brotherhood but also from a desire to enjoy very cheap life insurance rates.

They usually excluded from their membership all persons over 45 years of age and, more often than not, required the applicant to pass a medical examination. All members, being equals, were charged the same assessment when a death occurred. The balance in the treasury usually was sufficient to pay one death claim.

Enjoyed Good Mortality

The society enjoyed a very favorable mortality experience during the first five or 10 years. There are many instances of fraternal assessment societies being able, during the first 10 years, to furnish life insurance to their membership at an average cost of one-third of the average cost of a level premium plan for the membership.

This assessment insurance system of fraternals worked very well indeed for charter members (and those who joined soon after) who died within the first 10 to 20 years after organization. But as time went on the death rates increased and the number of assessments per year rose. These increases came rather slowly at first and then at an accelerated rate.

The death knell of the fraternal assessment societies came when the rates for a young man, say age 20, began to approach or threatened to approach the amount of the level legal-reserve premium rate. Then young men, despite the entreaties of their uncles, aunts, and parents to join the fraternal society, preferred level premium insurance because of the understandable fear that the number of assessments per year would rise even further in the future. Bankruptcy or reorganization followed.

Will the social security principle someday face a death knell as did the fraternal assessment insurance principle? When? Prior to the 1960 amendments the taxes (premiums) to be paid over the years by the employer and the employe for a young man of age 20 were about 170% of the actuarial value of the benefits. (Loading for expenses is another and complex subject.) When that figure approaches 200%, the problem faced by the fraternal assessment societies may have to be faced in the social security operations.

One cannot quite predict when it

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N. Y. DEPARTMENT RULES:

Policy Bought Via Insurability Rider Can't Bar Suicide

NEW YORK—The New York department has ruled that life insurance policies bought pursuant to guaranteed insurability riders cannot contain the usual two-year suicide clause. The limitation may run only for two years from the issuance of the base policy to which the guaranteed insurability rider is attached.

The 19 companies involved are studying the ruling and have not yet decided whether to take the matter to court.

The suicide clause in policies bought pursuant to the widely popular riders insuring future insurability at stated times and for stated amounts was the subject of hearings before First Deputy Samuel C. Cantor a year ago this month. Much of the testimony dealt with whether the companies, in fixing the additional premium to be charged for the rider, could include therein an amount designed to cover the risk of suicide within the two-year period following issuance of the policies that the insurers might be called upon to issue.

Charles Dubuar, the department's chief actuary, testified the needed charge is negligible and that a loading built into the original rate is sufficient to cover it, hence the insurer can't justify the suicide exclusion during any but the original two-year period. The companies' witnesses denied this and said the premium is calculated on the assumption that the company will be free of the suicide risk during the first two years following issuance of each of the new policies issued pursuant to the option.

Mr. Cantor, however, based his opinion not on that point but on the ground that putting a two-year suicide clause

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Annuitants Get Break In N. Y. Tax Interpretation

ALBANY—The New York State Assn. of Life Underwriters has requested and received clarification of the taxation of annuities from Edward H. Best, counsel for the New York department of taxation and finance.

The New York state tax law was completely revised in 1959 and, among other changes, the provisions of the law were made similar to those of the federal internal revenue code. Under these changes, the state now allows the taxpayer to figure his adjusted gross income by the same formula as permitted under the federal law.

Possible Double Tax Seen

Through careful examination of both the old and new laws and their relationship to the federal act, the state life underwriters association discovered that annuitants would be subject to possible double taxation on a portion of their income. Under the new law the same exclusion ratio is used as under the federal law; however, because of a difference in the New York state law prior to the taxable year 1960, an annuitant may have had to report a greater portion of his income for state purposes than for federal.

As a result of the investigation and of the ruling, every annuitant and widow with a lifetime option settlement will greatly benefit through a lower tax. The letter from Mr. Best to the New York state association clarifying the situation and outlining the process through which a refund of excess payments may be claimed is as follows:

"The New York state income tax law was completely revised to conform with the federal internal revenue code. For taxable years ending on and after Dec. 31, 1960, the starting point in computing New York taxable income is the adjusted gross income reported for federal income tax purposes. Since the taxable portion of an annuity payment is included in federal adjusted

(CONTINUED ON PAGE 2)

AAUTI Elects Gregg President At Its St. Louis Meeting

Proposed Name Change Being Put To Mail Vote; Bickley Moves To 1st V-P

ST. LOUIS—Following its custom of a Christmas holiday annual, American Assn. of University Teachers of Insurance met here last week and elevated Davis W. Gregg, president American College, to the presidency, succeeding J. Edward Hedges, Indiana University.

Davis W. Gregg

One of the more important events of the two-day meeting was the proposal of a change of association name. The suggested name, American Assn. of Risk and Insurance, will be voted upon by mail ballots. No change in the constitution, by-laws or voting rights of members is involved in the proposed change.

Herrick 2nd V-P

Second vice-president John S. Bickley, University of Texas, moved up to 1st vice-president and Kenneth Herrick, Texas Christian University, was named 2nd vice-president. Appointed to the executive committee were E. J. Faulkner, president Woodman Accident & Life, and Mark R. Green, University of Oregon. Joseph F. Trosper, Southern Methodist University, continues as secretary-treasurer.

A new special committee on insurance school curricula was set up and will be headed by Mr. Hedges. College

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The officers of General Agents & Managers Conference get together for a discussion of conference affairs during an executive committee meeting at NALU's new headquarters building in Washington, D.C. From left are L. Kent Babcock Jr., Aetna Life, Philadelphia, treasurer; C. Carney Smith, Mutual Benefit Life, Washington, D.C., secretary; Robert B. Pitcher, John Hancock, Boston, vice-chairman; Carr R. Purser, Penn Mutual Life, New York, national chairman, and Leonard T. Smith, Prudential, Cranston, R.I., immediate past national chairman.

1960 Closing Bids On 123 Insurance Stocks

The year-end closing bid prices on the following list of insurance stocks is submitted by Cartwright, Valleau & Co., Board of Trade Building, Chicago. This is the list that appears monthly.

Company	12/31/59	6/30/60	12/30/60
Aetna Cas.	80⅝	78	96
Aetna Fire	76	79	91¼
Aetna Life	85½	80½	97½
Agricultural	28	31	31¼
All Am. L. & C.	10	8¾	8½
Am. Equitable	40½	36	42½
Am. General	33½	34½	30½
Am. Home	40	43	41
American	26¼	26	27⅛
Am. Motorists	14	13⅛	17
Am. National	8⅝	7⅞	7⅝
Am. Reinsurance	42½	43	41
Am. States	29¾	30½	23
Bankers & Shippers	57	55	55
Bankers Natl. Life	19	20⅝	22
Beneficial Std. Life	15⅜	14	15½
Boston	33	33⅝	31⅛
B. M. A.	40	41½	42½
Cal.-West. States	56½	50	50½
Camden	34	33¼	32⅛
Combined	33	34	37
Commonwealth	21¼	18¼	21
Conn. General	354	345	400
Cont. Assur.	155	141	180
Cont. Cas.	72	72	87½
Continental	54½	52¼	56½
Corroon & Reynolds	14⅜	14¼	15
Crown Life, Can.	167	195	225
Crum & Forster	68	64	72
Empl. Grp. Assocs.	36	40	39¼
Employers Reins.	53	51	61½
Farmers Unds.	35	35	42
Federal	53⅛	50⅞	57¼
Fidelity & Deposit	50	46½	48½
Fireman's Fund	51¼	56	53¾
Franklin Life	77	67	76¾
General Amer. Corp.	170	146	157
General Reins.	91	99	121
Glens Falls	34	35⅜	39¼
Globe & Rep.	20½	19¼	21½
Govt. Employees	88	78	89
Govt. Employees Life	59¾	58	64½
Great American	43	43½	49½
Gr. Am. Life Und.	680	640	770
Great Southern Life	83	68	68
Great-West Life	344	345	395
Gulf Ins.	40	37	18½
Gulf Life	20⅛	18⅝	42¾
Hanover	39½	42½	42¾
Hartford Fire	50½	48¼	57¾
Hart. Steam Boil	86½	75	91
Home	53	54½	63
Imperial Life, Can.	74	80	90½
Ins. Co. of No. Am.	65	64	77
Interstate F.&C.	15¾	12¾	14½
Jeff. Standard Life	48¼	38½	42
Jersey	35	31½	34
K. C. F. & M.	25	28½	35½
K. C. Life	1420	1220	1340
Lamar Life	......	......	33
Liberty Natl. Life	62½	56¼	58½
Life Companies	......	......	13⅜
Life & Cas.	22	16¾	16¼
Life of Va.	50	50½	56½
Lincoln Natl. Life	245	237	230
Maryland Cas.	36¼	35½	36⅝
Mass. Bonding	36¼	41	39
Mass. Indemnity	39½	40	39¾
Mass. Protective	66	71	69
Merchants Fire	30¾	31	35
Merch. & Mfrs.	13¼	12¼	14
Midwest United	36	35½	37½
Monumental Life	57	52	56½
National Fire	142	142	123
Natl. Life & Acc.	115	98	114½
Natl. Old Line	15⅜	15½	15⅞
National Reserve	158	155	148
National Union	36¾	35¼	40½
Nationwide Corp.	37¾	32½	26¾
New Amst. Cas.	48¾	50¾	62
New Hampshire	51	52	52
Northeastern	12	12	12¼
No. Am. Life	14	13¼	14¾
Northern of N. Y.	41½	39¾	41½
Northern Life	136	136	130
N. W. Natl.	98	93	88
N. W. Natl. Life	97	93	90
Ohio Cas.	28½	23½	24
Old Line Life	72	60	60
Old Republic Life	15¾	19	18½
Old Republic Ins.	14	15¼	14¾
Pacific of N. Y.	58	55	55
Pacific Indem.	21⅝	25	33
Peerless	22	21¾	22¼
Philadelphia Life	43⅝	49½	55
Phoenix of Hartford	82½	78	83
Prov. Life & Acc.	99	81	81
Prov. Wash.	20½	20½	18⅞
Quaker City Life	46¾	50¼	44
Reinsurance Corp.	19	21½	21½
Reliance	49	53½	57½
Republic, Dallas	60⅜	55	58
Republic Natl. Life	33	35¾	33½
St. Paul F. & M.	60⅜	56½	61
Seaboard Surety	43	33	39
Security	42	51½	55*
Southland Life	93	88	88
Southwestern Life	60	52	53
Springfield F. & M.	30⅝	32¾	34⅝
Standard Acc.	58½	49¼	47½
Standard Life	60	50	49½
Travelers	85¾	83½	93
United, Chicago	33⅛	35¾	32
United Services Life	49	46	60
U. S. F. & G.	35	40½	41¾
U. S. Fire	28½	29¼	30½
U. S. Life	43½	39½	42½
Var. Annuity Life	......	......	45
Wash. Natl.	56½	46½	45
Wis. Natl. Life	40½	31	28½
Westchester	29¾	29¾	33½
Western Cas.	39½	39½	42
West Coast Life	31¾	31	31

* Offering price

Gerber Reappointed Illinois Director

Democratic Gov.-elect Kerner of Illinois announced last week that Joseph S. Gerber will be retained as insurance director. Mr. Gerber is the only member of Republican Gov. Stratton's cabinet who will serve under Gov. Kerner, who commented about Mr. Gerber: "From all I hear, he has been doing a good job. I'm simply trying to find the best men regardless of party."

Chicago papers already are suggesting the appointment may not run past the legislative session, although nothing official has been said to indicate the appointment is anything but for a full four-year term. Mr. Gerber has served four years under Gov. Stratton.

Blackford Reappointed Mich. Commissioner

Commissioner Frank Blackford of Michigan has been reappointed by Gov.-elect John Swainson to fill out his term which expires Oct. 11, 1963. The appointment is a surprise to industry and a number of politicians, because Mr. Blackford had publicly stated he would resign Jan. 1 to take up the full time study of law.

Mr. Blackford, who has never been confirmed by the Republican senate, filled out the unexpired term of Joseph A. Navarre, resigned, and was reappointed last year by Gov. Williams. He will fill out this term under the Swainson administration.

Annuitants Get Break In N. Y. Tax Interpretation

(CONTINUED FROM PAGE 1)

gross income, the same portion of the annuity is includible for New York personal income tax purposes. In other words, the same exclusion ratio is used for federal and New York income tax purposes.

"Because of the difference in the method of computing the taxable portion of an annuity for federal and New York income tax purposes prior to 1960, an annuitant may have reported a greater portion of his annuity payment for New York income tax purposes than for federal income tax purposes. In order to avoid double taxation in such case, the annuitant is permitted to deduct from his federal adjusted gross income the amount by which his total annuity payments previously taxed for New York income tax purposes exceed the total annuity payments previously taxed for federal income tax purposes. Such deduction is claimed in schedule A of the New York personal income tax return entitled, 'Changes from federal adjusted gross income, subtractions.'"

3 To Address Gotham Group

NEW YORK—"Our best in '60" will be the topic at the Jan. 11 luncheon of the Gotham group of Life Insurance Advertisers Assn.

Kenneth L. Brooks, Prudential director of sales promotion, William C. Heimburg, New York Life public relations associate, and Thomas F. Lavin, Equitable Society sales promotion supervisor, will give the details of the most successful idea that each of these companies introduced to its agency force in 1960.

Zurich American Life Beginning Operations

Zurich American Life is beginning operations this week. The new affiliate of the Zurich organization, incorporated in Illinois, is also licensed in Florida, Indiana, Michigan, Ohio, Pennsylvania, and the District of Columbia, and additional applications are pending.

James Bowling

Operations will be directed by James Bowling, assistant secretary and administrative officer of Zurich American Life. The company will offer a portfolio of individual life policies, including ordinary, limited payment, endowment, retirement income, term, and family income.

Zurich originally had expected to use the facilities of an existing affiliate, Zurich Life, which was incorporated in New York in 1947 and has confined its writings largely to group and credit life. Although Zurich Life will write individual life policies in New York, it was decided that for country-wide operations an entirely new company would give the individual life program greater flexibility.

Zurich American Life will solicit business on a brokerage basis.

Mr. Bowling has a background of 23 years in the life and A&S fields. After 10 years with Hoosier Casualty of Indianapolis, he joined Fidelity Life & Income of Benton Harbor, Mich., becoming superintendent of life development. In 1956 he went with American Casualty, and in 1958 was named assistant secretary and chief administrative officer of a newly formed affiliate, Valley Forge Life.

Stock Dividends For Continental Companies

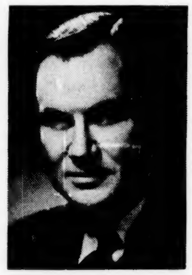
Directors of Continental Assurance late Wednesday announced a proposal for a 50% stock dividend and the stock was quoted 182-187 on the news. There will be a 25% stock dividend for Continental Casualty and this word sent the stock to a new all time high of 87-90.

BERTRAND J. PERRY, 86, retired president and chairman of Massachusetts Mutual, died at Hanover, N. H. He was hospitalized with double pneumonia. Mr. Perry joined Massachusetts Mutual in 1897 as a clerk in the actuarial department, rising through the ranks to the presidency in 1936, following the death of William H. Sargeant. In 1945, he was elected chairman, and was succeeded as president by the late Alexander T. MacLean. Mr. Perry continued as chairman until 1948, when he retired. He remained a director of the company until 1955. In 1924 he became one of the sponsors of Life Office Management Assn., an organization which he later served as president and a director. He was also a director of Springfield Fire & Marine and of Institute of Life Insurance. In 1942 he received the fellowship award of the National Office Management Assn. for his contributions to the development of modern management methods.

American Educational Life of Nashville has been licensed in Indiana.

M. K. Kenny Appointed Excelsior General Mgr.

Melvin K. Kenny, who has been Excelsior Life's assistant general manager and director of agencies since 1953, has been appointed general manager.



Melvin K. Kenny

Mr. Kenny joined Excelsior in 1945 and three years later was named general superintendent of agencies. He was chairman of LIAMA's Agency Management Conference, 1959-60, a LIAMA director, 1950-53, and chairman of the agency officers section of Canadian Life Officers Assn., 1949-50. He is a CLU.

E. V. Norton Is New Utah Commissioner

The new insurance commissioner of Utah is E. Virgil Norton, associate manager at Salt Lake City of Aetna Fire. Mr. Norton, who succeeds Carl A. Hulbert, resigned, operated his own agency, Intermountain Underwriters, until 1957 when it was purchased by Aetna Fire. It is understood he has arranged for early retirement from Aetna in order to take on the state position. Mr. Norton is a graduate of Utah State University and is chairman of the Salt Lake City Chamber of Commerce insurance committee.

N. Y. Department Rules On Insurability Rider

(CONTINUED FROM PAGE 1)

into subsequently-issued policies violates subsection 2 of section 155 of the insurance law, which deals with permissible exclusions of causes of death. He takes the position that the base policy, the rider and all the subsequently-issued policies are one contract and that, "since the statutory limitation on suicide exclusions applies to all insurance benefits flowing from an insurance contract, only the suicide clause as contained in the original or basic policy can be made applicable to the additional insurance benefits flowing from the basic policy regardless of the manner in which respondent may label same."

The hearing, requested by the companies, was based on Mutual of New York's rider, but 17 other companies participated in the action. Massachusetts Mutual also requested a hearing and put on its own witnesses. Mr. Cantor gave a separate but similar opinion on its rider.

The 17 companies that joined with Mutual of New York are Aetna Life, Canada Life, Colonial, Connecticut General, Equitable Society, Guardian Life, Home Life of New York, John Hancock, Monarch of Massachusetts, New England Life, New York Life, Penn Mutual, Prudential, State Mutual, Travelers, Union Mutual and United States Life.

Commonwealth Dividend Up

The annual dividend of Commonwealth Life has been increased 20% to 24 cents a share. The first payment at the new rate will be March 1 to stock of record Feb. 15. President William Abell estimates 1960 operations will produce a 25% greater gain than that of 1959.

YES, FRANKLIN PROMOTES FROM WITHIN

THESE FOUR KEY HOME OFFICE EXECUTIVES CAME UP FROM THE FIELD

FRANCIS J. BUDINGER

Francis J. Budinger has spent his entire business career in life insurance—and all of it with Franklin Life. Starting as an agent in Wilmette in 1923, he successively became General Agent in Chicago, Division Manager in Chicago-Cook County, and finally Regional Sales Director in the same area. A C.L.U. since the early '30s, and past president of the Chicago Chapter of C.L.U., he is a skilled personal salesman, whose leadership abilities developed one of the company's largest and most effective divisional organizations. Elected Executive Vice President in 1958, he is in charge of all Franklin agency activities.

JAMES R. MALOY

James R. Maloy joined the Franklin agency organization in Montgomery, Alabama in 1952 after four successful years with Liberty National Life. He celebrated his first anniversary by qualifying for the exclusive Sixty Club (60 sales in 60 days). After a highly successful field career in sales and as Assistant Regional Manager in Alabama, to which position he was appointed in March 1955, he was called to the Home Office in 1957 as Director of Field Training. In 1958 he was promoted to Director of Sales, and in December of the same year to Vice President in charge of Agency Development.

GEORGE T. KAMATARIS

George T. Kamataris joined the Franklin organization in California in 1947. After several highly successful years as an agent he was promoted to General Agent in Oakland. In May 1951 he became Assistant to the State Manager in California with responsibilities in recruiting, training and supervising, and in 1953 was promoted to the newly created post of Assistant State Manager. He was called to the Home Office in 1958 as Director of Sales, and was elected Vice President in February 1960.

WILLIAM D. CLEMENTS, JR.

William D. Clements, Jr. joined Franklin's Philadelphia Division in 1952 after five years of successful experience with Equitable of Iowa. For two years he served as Regional Assistant to the Eastern Division Manager and then was appointed Manager in Collingswood, N.J. in 1954. He also served with spectacular success as instructor at the inter-division training schools at Hershey, Pa. and at the initial session of the midwest school at Starved Rock. He was elected Vice President in November 1960 and assumes his Home Office duties in January.

The Friendly

FRANKLIN LIFE INSURANCE COMPANY

CHAS. E. BECKER, PRESIDENT SPRINGFIELD, ILLINOIS

DISTINGUISHED SERVICE SINCE 1884

The largest legal reserve stock life insurance company in the U.S. devoted exclusively to the underwriting of Ordinary and Annuity plans

11 Regional Teacher Meetings Conducted By American College

More than 200 CLU and management education teachers and 40 university professors of insurance attended the 11 regional teachers conferences conducted by American College during the past few months.

Conferences this year were held at Dallas, San Francisco, Los Angeles, Omaha, Washington, D.C., Miami, Atlanta, Columbus, Chicago, New York and Boston. The series of meetings concluded in December.

The two-day sessions featured a discussion period centered around teacher responses to a questionnaire on the important characteristics of a successful teacher, from which the college was able to obtain the following consensus of opinion—that a successful teacher must know and understand his subject, be thoroughly prepared, and have a genuine and sincere interest in his students as well as a belief in the educational philosophy of the CLU movement.

Other Topics

Faulty teaching practices, supervision of examinations and results of the 1960 CLU and management examinations also served as topics of discussion at the meetings.

Guest lecturers chosen from among specialists in adult education spoke before the groups on "Teaching and Learning Problems in the Education of Adults."

The conferences coordinate the teaching activities of CLU and management class instructors and keep them informed on new developments in the American College's educational programs. This year the teachers reviewed several changes made in the CLU program by the college's trustees, among which were:

—The curriculum of the basic CLU study program has been revised so that it embraces more health insurance.

—Health insurance personnel who complete the five CLU examinations and meet other education, experience and ethical requirements become eligible to receive the CLU diploma and designation.

—Experience requirements for the CLU designation have been changed so that more people in responsible life and health insurance positions can aspire to the designation. The pool of potential candidates has been broadened to include qualified people in home offices, employes of regulatory bodies or government agencies, and employes of life and health institutional organizations.

Advanced Courses

—A series of advanced diploma courses will be offered by the college as part of its plan to meet the professional education needs of the entire life and health insurance business. These courses will be more flexible in level, length and content than the basic CLU program, but each will have written examinations and will be administered on the same basis as the CLU and management education courses. Upon satisfactory completion of a course, the candidate (who need not be a CLU) will receive a diploma from the college. Courses for this program are being developed on health insurance and estate planning.

W. W. Dotterweich, director of the college's educational services department, was in charge of the conferences.

$328 Per Employe Paid For Pension, Life, Health Plans

Business and industrial firms paid an average of $328 per employe for premiums on pension plans, life and health insurance in 1959, according to Institute of Life Insurance in its analysis of a survey of 1,064 corporations conducted by U. S. Chamber of Commerce.

This was a 15% increase over the $284 payment per worker reported by the survey of 1957 costs for such fringe benefits and more than twice the payments for insurance and pension coverages 10 years ago.

Of the companies surveyed, 86% had private pension plans in contrast with 81% reported for 1957, and 98% had some form of group insurance protection as against 97% reported in 1957, the institute pointed out.

Sixty-seven companies reported that pension payments alone averaged 10% or more of their payrolls in 1959. The average payment by 86% of the companies with pension plans was 5% of payroll.

There were 64 life, fire and casualty insurance companies included in the study and all reported pension plans, with employer contributions averaging 8% of annual payrolls, well above the over-all average.

All 18 companies surveyed in the petroleum industry had pension programs. Group insurance plans were also carried by every company surveyed in the fields of printing and publishing, rubber and leather products, stone, clay and glass products, metal industries, electrical machinery, transportation equipment, and banks, finance and trust companies.

Of the 123 public utility companies reporting, all but one company had a pension plan and all but one company had a group insurance program.

Of the 692 manufacturing concerns surveyed, 586 or 85% had pension plans, compared with 79% of the companies surveyed two years before. Group insurance programs were in effect in 684 or 99% of these companies.

Among the 372 non-manufacturing concerns responding to the survey, 326 or 88% had pension plans, contrasted with 84% in 1957, while 357 or 96% had group insurance.

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New England Life passed the $7 million mark in life insurance in force during November. The figure represents coverage under more than 1.1 million individual policies and group certificates.

Finds Possible Tax-Status Distinction Between Bank-Loan And Insurer-Loan

Evidence that a loan from a bank or other non-insurer source to buy financed life insurance has a better chance of retaining the tax deduction than a loan from the insurer issuing the policy is seen by Assn. of Advanced Life Underwriters in the government's brief in the Knetsch financed annuity case, decided some weeks ago by the U. S. Supreme Court. The taxpayer lost in that case.

Following is the bulletin sent by AALU to its members:

Your AALU counsel have recently had the opportunity to examine the briefs in the Knetsch case. . . . The brief presented an argument that inferentially supports the deductibility of interest on bank-financed life insurance. The government argued that Knetsch did not in fact incur any loan, and "that the purported prepayments of interest did not, in substance, constitute payments for the use of money or economic benefits, and hence do not qualify for (income tax) deduction."

The government further argued:

"The sole security for the 'loan' was the bonds themselves; and, under the terms of the loan notes, the principal amounts thereof would not become due and payable until the annuities became due and payable. Thus, the parties created reciprocal and offsetting future obligations, each commencing at the same time and each ripening at the same time, with the taxpayer expressly exempted from personal liability for the 'loan.'"

Contrasted With Two Cases

The financing situation in Knetsch was contrasted with two factual arrangements in which the government readily admitted that a bona fide loan situation was involved.

In the first situation the government recognized the validity of a life insurance loan which is instituted "an appreciable period of time" after the policy was originated. In its brief the Justice Department stated:

"This (the Knetsch facts) is unlike the situation where a policyholder pays premiums on an insurance policy over an appreciable period of time, and then borrows the cash value from the insurance company on the security of the policy. In such a case, the company has, in the interim, realized earnings on the premiums received and invested; the policyholder thereafter actually borrows the company's funds (cash reserves) for his own use, in an amount less than the premiums paid in; and this amount is geared on the one hand to the company's earnings on the premiums paid in, and on the other to its expenses, or loading charges.

Borrowed Nothing From Insurer

"In the case at bar, by contrast, the taxpayer borrowed nothing earned by and belonging to the insurance company for his own use. Sam Houston [the insurer] did not advance money or its equivalent in immediate econo-

(CONTINUED ON PAGE 13)

W. S. Leighton, Prominent In CLU And NALU Work, To End 52-Year Career

William S. Leighton, general agent at Milwaukee of Massachusetts Indemnity & Life, who has long been prominent in the business, is retiring. He will be succeeded by Willard A. Larsen, who has been with the agency for eight years.

W. S. Leighton

Mr. Leighton entered insurance in 1908 with New York Life, becoming cashier at Minneapolis in 1914 and an agent there in 1921. When Massachusetts Indemnity entered Wisconsin in 1949, he went with that company as general agent at Milwaukee to open the state.

Active in CLU work, Mr. Leighton was president of American Society of CLU in 1948 and of the Minnesota chapter in 1941. He was also president of Minnesota Assn. of Life Underwriters in 1940 and chairman of the membership committee of NALU. He was co-chairman of a committee which sought to bring the NALU national convention to Minneapolis in 1942. The city was chosen, but the meeting was cancelled because of the war.

Mr. Leighton plans to return to Minneapolis the first of the year.

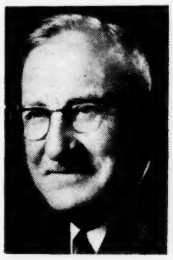
Be sure to read

"THE BACK PAGE"

Occidental Of Cal. Promotes Tookey, Halverson, Lake

Eleven Occidental Life of California men have been named to new posts.

Clarence H. Tookey, former actuarial vice-president, was named senior vice-president. A. B. Halverson and Meno T. Lake, former 2nd vice-presidents, were named vice-president and vice-president and actuary, respectively. Former assistant vice-presidents John R. Pullman and L. F. Slezak were appointed 2nd vice-presidents. Medical Director Joseph Travenick Jr. was named 2nd vice president. James W. Rush was named assistant vice-president, while Richard H. Cowdery, C. Donald Hankin, Frank A. Rozatti and Donald F. Sorensen were appointed to the office of assistant secretary.



C. H. Tookey

A. B. Halverson

M. T. Lake

Mr. Tookey became assistant actuary two years after joining Occidental in 1921. In 1936 he was named associate actuary and in 1942 actuary. He became actuarial vice-president in 1946 and a director in 1952.

Mr. Halverson joined the company in 1936 after three years with Federal Reserve Life. In 1946 he was named assistant controller and in 1952 assistant secretary. He was named assistant vice-president in group underwriting and operations in 1954 and 2nd vice president in 1957.

Mr. Lake has been actuary of the company since 1953. He joined it in 1940 as actuarial clerk. In 1950, he was named to supervise actuarial research and was appointed assistant actuary the following year. He was named associate actuary in 1952 and 2nd vice-president in 1957.

Mr. Pullman, superintendent of Occidental's underwriting department, joined the company in 1936. He was named assistant secretary in 1956 and assistant vice-president in 1959. Mr. Slezak joined the company in 1947 and became assistant to the actuary in 1948. In 1951 he was named assistant actuary and assistant vice-president in 1956.

Dr. Travenick was a medical director of Life & Casualty of Nashville when he joined Occidental in 1940. He is past chairman of American Life Convention Medical Section.

Mr. Rush, salary administration manager, joined Occidental in 1949 and was named assistant secretary in 1955. Mr. Cowdery, who joined the company in 1937, has been in the agency department since 1947 and agency secretary since 1949. Mr. Hankin, Occidental's group settlements manager, previously served as assistant manager and associate manager of the claims department. He joined the firm in 1946. Mr. Rozatti, with Occidental since 1951, serves in varied responsibilities in the controllers division. Mr. Sorensen joined the company in 1952 and has served as director of press relations and publications since 1955.

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American United Managers To Meet

Managers of American United will attend a meeting Jan. 4-7 at Indianapolis. Plans to enter consumer advertising in the Saturday Evening Post will be outlined by the company's advertising agency. Other subjects to be discussed will include the management training program, recruiting, and a new group benefits plan for the field force.

—

Detroit Mutual is building a new home office on a 5½-acre site in Plymouth, Mich. Ground breaking ceremonies have been conducted and completion of the new building is expected within nine months.

Ordinary Death Rate For 1960 Put At 6.0 Per 1,000

The 1960 death rate among American policyholders of ordinary life insurance is estimated at 6.0 for every 1,000 persons, less by a small fraction than last year and representing a decline in the rate of about one-fifth over the past 40 years and slightly lower than the over-all rate of the 1950s, according to Institute of Life Insurance.

The institute notes that the rate has been declining at the same time that life insurance companies have liberalized their underwriting standards and are now accepting policyholders who were previously unacceptable by former health and occupational standards.

"The acceptance of these risks who might once have been considered as having a shorter life span has not jeopardized the continuing good mortality experience among policyholders," the institute reported. "The death rate record would show even greater improvement if it were not for the continuing high toll of heart disease and cancer. Together they account for about 75% of all ordinary policyholder deaths."

Because of the substantial increase in life insurance in force over the past several years, a record $3,350,000,000 in total death benefits were paid in 1960. However, it is estimated that if the higher death ratio of 20 to 30 years ago prevailed these payments might have been nearly $1 billion greater.

—

Country Life Enters A&S

Country Life of Chicago has entered the A&S business with a "lifetime" hospital, medical and surgical contract, a major medical policy, and a series of disability income plans.

Country Life is the largest life company in the U. S. writing in only one state.

—

Sun Life of Maryland has been licensed in Minnesota, North Carolina and Tennessee.

Changes In The Field

Guardian Life

W. R. Wilkinson, manager at Syracuse, has retired after 30 years with the company. Before joining Guradian, he was at the home office of Equitable of Iowa. He served several terms on Guardian's field advisory board.

W. L. McLain, manager at Pittsburgh, has retired after 32 years with the company. A CLU, he started as an agent at Detroit and was later promoted to supervisor at Indianapolis.

Both Mr. Wilkinson and Mr. McLain will continue in personal production.

Life & Casualty

C. A. Smith has been promoted from southwestern division regional sales director to district manager at Waco, Tex.

S. E. Johnson has been promoted from staff manager at Fayetteville, N.C., to manager of the new district office there.

Bankers Life, Ia.

J. T. Rainey has been promoted to group senior account executive at Los Angeles. He joined Bankers Life in 1943 as regional group manager there. Henry T. Handschuch has been promote to Los Angeles group manager. He joined the company in 1950 and has been located in both the Los Angeles and Denver group offices. In 1959, he was promoted to associate regional group manager at Los Angeles.

Lincoln National Life


Lloyd H. Feder

Lloyd H. Feder, after 36 years with the company, has retired from general agency responsibilities with Feder-Gehring & Associates at Cleveland. He will be succeeded by Earl C. Gehring, co-general agent, who has been with the agency since 1955.

Mr. Feder entered the business in 1922 and joined Reliance Life at its Cleveland agency in 1924. In 1952, Mr. Feder was named general agent for Lincoln Life. He has been president of both the Ohio and Cleveland Life Underwriters Assns.

California Life

LeRoy V. Bertin has been named general agent at Seattle.

Paul Revere-Mass. Protective

William R. Johnson, training supervisor for the southwestern sales region, has been appointed general agent at Dallas for Paul Revere Life. He was


Paul C. Sims


William R. Johnson

formerly a division manager for Prudential.

Paul C. Sims, training supervisor for the southern sales region with headquarters in Memphis, has been named general agent at Knoxville for both companies. He has been a manager for State Farm in Tennessee.

General American

Cash D. Bond Jr. has been appointed director of agencies at Detroit. He has been manager at Omaha for New England Life.

Standard Of Oregon

William B. Donnelly has been appointed manager at Honolulu. He has been with the company since 1947 and was named agency assistant in 1953

to handle promotion and training activities. He was later promoted to sales training manager.

Sheldon C. Tracy has been named manager at Riverside, Cal.

John D. Laws is the new district manager for the San Diego area.

State Mutual Life

Stanley H. Closter

Stanley H. Closter, assistant manager at Valley Stream, N.Y., has been promoted to manager at Brooklyn.

Richard B. Martley, group supervisor at Dallas, has been named manager of the new group office at Denver. A CLU, he has been with Ccontinental Casualty and Massachusetts Mutual.

Business Men's Assurance

Jack Kearney and R. L. McMillon have been named managers at Miami and Abilene, Tex., respectively.

Mr. Kearney joined the company in 1951 at Albuquerque. He was named district supervisor there in 1956 and transferred to Miami in 1959 as district manager.

Mr. McMillon has been with the

R. L. McMillon

Jack Kearney

company since 1946. In 1956 he was named district manager at Abilene He has held many offices in NALU, including trustee and secretary, and is now vice-president.

Lincoln National Of N.Y.

Charles J. Krasne has been appointed manager of the first life agency established by the newly formed Lincoln National Life of New York. Mr. Krasne entered the business in 1952 as an agent for Connecticut Mutual Life. The new agency is located in New York City.

New England Life

Charles J. Lamb

Charles J. Lamb, who has been interim manager at Detroit since the retirement of General Agent Fraser E. Pomeroy in September, has been appointed manager there. Mr. Lamb joined the company at Washington, D.C., became supervisor there, assistant director of agencies and agency pension consultant. He qualified for the 1956 Million Dollar Round Table.

George E. Simpson has been promoted to regional group manager for the newly created far-west region, but will continue as district manager at Los Angeles, where he joined the company in 1954 after eight years in group sales with Connecticut General.

Robert C. Wagner, group representative at Kansas City, has been promoted to district group manager there to succeed Richard N. Hammond, who has been transferred to Boston. Mr. Wagner has been a group representative at San Francisco.

Mutual Of New York

John A. Zeyak Jr.

John A. Zeyak Jr. has been appointed manager at Trenton, to succeed W. H. McClennen Jr. who has resigned. Mr. Zeyak was assistant manager at Albany until 1959, when he transferred to the home office for managerial training.

Occidental Of California

Richard E. Jernigan has been appointed assistant brokerage manager at Memphis. He joined Occidental last February after two years with American Frontier Life as district manager in Dyersburg, Tenn.

Paul I. Malakoff has been appointed assistant manager at Seattle. He joined Occidental in 1959 as an agent there.

Republic National Life

William Moats

William Moats has been named general agencies superintendent for the Pacific Northwest with offices in Portland. Before joining the company he had been a general agent for Western Life of Helena.

Hartford Life

W. N. Harrison has been appointed manager at San Francisco. He has been assistant general agent and brokerage manager of New England Life at Oakland, Cal. He is a CLU.

Michael E. Greene has been appointed to work with agents at Syracuse in developing sales of all forms of health insurance offered by Hartford Life and Hartford Accident & Indemnity, both members of the Hartford Fire group of companies.

All American L.&C.

John Metropulos

John Metropulos, general agent at Park Ridge, Ill., has been named resident vice-president and agency director for Illinois. Starting a scratch agency for the company in 1953, his organization now has 45 full-time producers who sold approximately $20 million of combined business in 1959. Mr. Metropulos began with a one-room office in Chicago and in 1959 built a two-story brick building in Park Ridge to house the growing agency.

Home Office Changes

Aetna Life

David S. McComb, cashier of all the companies in the group, has been promoted to vice-president and cashier.

Interstate Life & Accident

J. L. Bass, manager of the No. 2 district office at Miami, has been appointed division No. 4 assistant manager. He has been an agent at Tampa, staff manager and manager at the Orlando district office and home office trainer.

Great-West Life

Assistant actuaries who have been advanced to associate actuaries are Ben Popeski in the ordinary department; H. E. Harland, reports and statistics; Isaac Rosenberg, group; and A. M. Sutherland, group. H.A.C. Johnson, formerly tabulating methods assistant, has been appointed assistant electronics officer.

Mutual Of New York

C. L. Ghent has been appointed director of A&S sales. He has been director of A&H sales of Guardian Life, and before that was in the training department of Monarch Life, general agent at Louisville and manager for Oregon at Portland. Also at Portland, he was state manager for Girard and manager of Reserve Life of Dallas and an agent of Central Life of Iowa.

J. V. Conti has been appointed Mr. Ghent's assistant. Mr. Conti was with Loyal Protective Life and Monarch Life at New York.

Sun Life Of Canada

Appointed assistant superintendents of agencies are D. S. A. Bell, for the eastern U. S. division; W. H. Reynolds for the western Canadian division; and K. M. Stewart, for the central Canadian division. J. G. Tyrell, has been named assistant superintendent, group sales and services.

D. S. A. Bell

Promoted are S. M. T. Bailey, from assistant actuary to associate actuary; G. M. Bourke and W. J. McCarthy, from assistant treasurers to associate treasurer, and H. T. N. Peterson, from assistant secretary to associate secretary.

H. A. Hodge has been appointed assistant treasurer, and J. E. R. Lockhart assistant superintendent of mortgages.

Kansas City Life

Frank W. Boyce and Dallas R. Alderman, both vice-presidents, have retired.

Mr. Boyce joined the company in 1916 as an application clerk. He was supervisor of that department from

Dallas R. Alderman

Frank W. Boyce

1920 to 1935, at which time he was named assistant secretary. In 1947 he was appointed vice-president.

Mr. Alderman joined Kansas City Life in 1922 as an agent and advanced through the ranks to become vice-president in 1939. He has been president of Kansas City General Agents & Managers Assn., and both Kansas City and Missouri agents' associations.

Western Life, St. Paul

W. H. Watt, with the company since 1957 and most recently a general agent, has joined the agency department in St. Paul as agency assistant.

American United

William Calhoon has been given the newly created position of director of reinsurance services. He was with Prudential, with Universal L.&A. as

secretary-controller, and with American Travelers as treasurer-controller before joining American United in 1958 as staff assistant in the accounting department.

Lutheran Mutual Life

Thirteen employes have been promoted.

E. T. Koopman remains as vice-president and was named secretary and board member to fill the unexpired term of J. P. Kroger who retired Nov. 1. Harry H. Hagemann was named a vice-president and appointed to the executive committee. He also retains his position as general counsel. Paul Koch and Harold Scherb were named assistant secretaries. Dale Sumner was promoted to associate actuary. H. W. Schwerin was named agency secretary and Paul Scherg was named underwriting secretary. Warren Fegley was named personnel secretary while Arnold Fredrick was named securty analyst and a member of the investment committee. Alfred Happel was promoted to manager of the policyholders service and Thomas Thompson was named farm loan manager, LaVerne Heyer, I.B.M. manager, and Connie Bartlett, advertising manager.

Aid Assn. For Lutherans

Walter H. Brummund has been appointed legal counsel and administrative head the legal division. He is a member of the Appleton, Wis., law firm of Brummund & Froehlich and will also continue his private practice.

Fidelity Mutual Life

Dr. V. P. Simmons has been appointed medical director, to succeed Dr. L. S. Ylvisaker, vice-president and medical director, who has retired. Dr. Simmons has been assistant medical director for Northwestern Mutual.

Sun Life Of America

Alan Meagher, manager at Camden, N. J., has been promoted to field training superviser.

Metropolitan Life

Henry R. Geyelin, manager of advertising services, has gone with Chase Manhattan Bank, New York City, as public relations officer for international operations.

Standard Of Oregon

Harry F. Morrow has resigned his position of board member due to ill health. He has been on the board since 1946.

John Williams Jr. has been appointed sales promotion assistant.

New York Life

Stanley Marcus has been elected a director. He is president of Neiman-Marcus Co., Dallas and Houston, and a director of Republic National Bank of Dallas.

Bankers National Life

J. D. Brady has been appointed underwriter. He has been an underwriter with Guardian Life.

AMERICAN LIFE & CASUALTY—Gordon H. Heller has been named vice-president.

GREAT EASTERN LIFE—Carleton Shugg, president General Dynamics Corp.'s electric boat division, has been named a director.

REINSURANCE INVESTMENT CORP., which has working control of Loyal American Life, American Income Life, Hamilton Life of New York and Sovereign States, also a life company, has elected Philip J. Goldberg a director. Mr. Goldberg, who is general agent of Canada Life at New York, is a qualifying and life member of Million Dollar Round Table, a member of the faculty of the Purdue course and vice-president in charge of development of Assn. of Advanced Life Underwriters.

MICHIGAN LIFE has promoted Peter A. Cumins from assistant secretary to 2nd vice-president, Norval E. Wyse from group underwriter to assistant vice-president, and Account Executives Will D. Zell to assistant vice-president, and Roy J. Sweet and David O. Eyre to assistant secretaries.

John Merrifield has been elected president of **INS. CO. OF WASHINGTON.** Other officers are Harry E. Butcher and Solomon Menashe, vice-presidents, H. W. Trueblood, secretary-treasurer, and Raymond Brumbach, assistant secretary.

FEDERAL L.&C. has appointed L. Weaver Allen administrator of credit insurance. He has been vice-president and a director of General Fidelity Life and before that was with Old Republic Life.

KENTUCKY CENTRAL L.&A.—Andrew M. MacDonald, formerly with Michigan Mutual Liability, North America and Atlantic Southern, has been named assistant secretary and director of home office administration.

OLD AMERICAN of Kansas City has named Martin Baier to the newly created position of director of product and market research and development.

HOMESTEADERS LIFE—Harry Beattie has been appointed field supervisor. He has been with John Hancock.

Blue Cross Boosts Rates 10.3% In Ohio County

Superintendent Stowell of Ohio has approved an average 10.3% increase in Blue Cross rates for Licking County. The increase will be $21,700 annually and will affect 4,000 subscribers.

Year-End Prices Of 300 Insurance Stocks

Cartwright, Valleau & Co., Board of Trade Building, Chicago, submits the following tabulation of bid prices for a long list of insurance stocks. This list will appear no less frequently than semi-annually in THE NATIONAL UNDERWRITER. The latest prices shown are those of Dec. 29, 1960, and (where available) the bid prices at Dec. 31, 1959, and June 30, 1960, are included. Many of these issues are inactively traded. The bid prices are those either as they appear in the National Quotation Service or as furnished by dealers familiar with particular issues. The offering prices are always higher than the prices shown. In some cases the bids are only approximate.

The quotations for a number of the issues are those that appeared during the latter period of 1960 and can't be pinpointed as of the closing day of the year. Because so many names in this list are rarely traded, the prices shown should be regarded frequently more as reference points than as an absolute market.

Company	12/31/59	6/30/60	12/30/60
Afro-Am. Life	151	150	150
Academy Life, Colo.	3	2⅝	2⅛
Accredited Hosp. & Life	8	......	......
Ala. Natl.	2⅛	......	2½
All Am. Assur., La.	2½	2½	2½
All States Life	4⅝	3½	2⅞
Am. Bankers	13⅞	14¾	14½
Am. Bankers Life	14	14¾	12
Am. Capitol, Tex.	3½	3	3
Am. Cas., Pa.	21½	21½	21½
Am. Druggists, Ohio	69	69	71½
Am. Empire Life	2	1¾	1¾
Am. Fidelity & Cas.	13½	11	12
Am. Fidelity Life	13¾	10⅛	8¾
Am. Fire & Cas.	18¾	19	17
Am. Founders, Tex.	31*	24	22½
Am. Founders Life, Colo.	⅛	1¼	¾
Am. Heritage Life	10	8⅜	6¾
Am. Homeowners, D.C.	......	......	5
Am. Ill. Life	......	......	1⅞
Am. Income Life, Ind.	17	11	8
Am. Indemnity, Tex.	20	23	23
†Am. Indemnity, Md.	135	135	250*
Am. Indep. Reins.	3	2½	2½
Am. Life, Ala.	7	7	6½
Am. Life Cos., N.D.	......	......	8
Am. L. & A., Ky.	......	......	60
Am. Life & Cas., N.D.	8½	9	9½
Am. Mercury	2⅝	3	2¾
Am. Policyholders	25	25	20
Am. Service Life	4½	3¼	2
Am. Surety	19	14¼	15½
Am. Trust Life	......	......	¾
Am. Trust Life, Tex.	......	1	40¢
‡Am. Underwriters, Wash.	5½	6	6
Am. Trust Life	......	......	¾
Amicable Life	55	55	53
Appalachian Natl. Life	2⅞	3	3
Argonaut	4	5¼	5⅞
Associates Life	4½	4¼	......
Atlanta Life	147	......	......
Atlantic Natl. Life	1⅝	2	2¼*
Atlas Life	75	57	50
Aviation Empl. Corp.	......	......	1⅜
Bankers Fire	......	......	3½
Bankers Fid. Life	3½	......	......
Bankers Life & Cas.	......	......	4½
Bankers H. & L.	......	......	160
Bankers Sec. Life	160	225*	......
Bankers Union Life	46	55	65*
††Banlife Corp.	160	151	145
Bituminous Cas.	90	95	105
Blue Ridge Fire	4*	4*	3*
Brit. Am. Life	......	......	150
Buckeye Union Fire	45	50	......
Buckeye Union Cas.	35	40	......
Calhoun Life	9½	7½	......
Capitol Indem., Ind.	2*	......	......
Capitol F. & C., Ala.	½	70¢	1
Capitol Life, Tenn.	1⅝	2	1½
Central Standard Indem.	9½	14	12
Central Standard Life	17⅛	17¼	16½
Cent. States Life, Tex.	1¼	1¼	1¾
Century Life	17½	18½	23
Cherokee Ins.	19	15¾	15½
Chesapeake Life	17	32	35
Cincinnati	43	46	48
Citadel Life	......	20	15
Citizens Cas.	8¼	8⅜	8¾
Citizens Life	10¾	9⅜	10½
Citizens Natl. Life, Ind.	3	3	3¾
Citizens Std. Life, Tex.	6¼	1¾	......
Civil Serv. Empl., Cal.	21	35	40
Coastal States Life	24	19	16¼
College Life	58	52	51½
Colonial Am. Life	3⅝	......	......
Colonial Life	......	......	125
Commercial Life, Mo.	3	4⅞	5*
Commercial Standard	21½	21	20½
Colo. Credit Life	7½	3½	½
Columbia Gen. Life, Tex.	1⅛	½	⅜
Consol. Am. Life	5½	4¼	3⅞
Constellation Life	3¼	2⅝	......
Consumers Natl. Life	3½	3*	2½
Cont. Fid. Life, Ariz.	8	8	9
Continental Life, Tex.	4¼	3¾	......
Cont. Am. Life, Del.	65	63	63
Cont. Am. Life, Tex.	1¼	1¼	1⅛
Cont. Fid. Life, Tex.	¼	......	......
Cornbelt	2¾	3⅜	2⅞
Cornbelt Life	4	3¾	4½
Credit Life	250	......	......
Durham Life	......	......	38
Eagle Fire, N.J.	3⅛	3	2⅞
Eastern Life	32	27	31
Empire L. & A.	210	....	......
Employers Cas.	......	29½	27½
Equitable Life, D.C.	46½	47	47½
Estate Life, S. C.	2¼*	1	......
Excelsior, N. Y.	8¾	8½	8½
Excelsior Life	179	230	......
Family Fund Life	14	8	7¾
Farmers & Bankers Life	73	65	65
Farmers New World	110	105	105
Federal Life & Cas.	84	79	73
Fidelity Bankers Life	7¼	6¼	7¾
Fidelity Union Life	182	180	200
Fire Und. Assn.	31	32	37
First Colonial Life	7	6	6
First Fed. Life	......	......	50
First Am. Life, Tex.	1	1	......
First Fidelity, Okla.	2½	1¾	1⅞
First Natl. Life, Ariz.	9	8	6½
First Pyramid Life	63	63	65
First United Life	5½	4	3
General Life, Wis.	......	......	3
Georgia C. & S.	3	......	......
Georgia Intl. Life	5½	4⅞	4⅛
General Serv. Life	26	32	26
Germantown Fire	130	125	125
Gibraltar Life	9	10	8½
Girard Life	25	......	......
Great Am. Life, Kan.	23½	23½	24
Gr. Am. Life, Ind.	3	......	......
Great Am. Reserve	......	......	23

(CONTINUED ON PAGE 15)

Bank Loan, Insurer Loan Distinction Told

(CONTINUED FROM PAGE 6)

nic benefits. There was simply a paper ransaction setting up reciprocal future bligations."

The government also distinguished ituations in which purchase money ortgages are involved:

"Equally distinguishable are situaions where the seller of property takes purchase money mortgage for a part f the purchase price. True, to the xtent of such a mortgage, no money ctually changed hands; but the buyer as received immediate economic beneits, in the form of possession and se of property, which are advanced to im in the same manner, and with the ame effect, as if he had borrowed oney.

ot No Immediate Benefit

"In the instant case, the taxpayer id not receive any immediate ecoomic benefits when he purchased the onds, since the 'loan' represented and xhausted the immediate cash value f the bonds, and since—as will apear—no real annuity or insurance values were prospectively acquired by the taxpayer."

Two direct lines of distinction can be drawn from these hypothetical situations which were utilized by the government to indicate the sham nature of the Knetsch transaction. The first illustration demonstrates the bona fides of life insurance loans. Furthermore, it indicates the validity of situations in which the lender actually conveys its funds to the borrower. In principle, this is an exact description of bank financing. The second illustration similarly placed emphasis on the conveyance of property or economic benefit to the borrower.

If the government were to attempt to attack bank-financed insurance, it would have to utilize different lines of argument. The position that succeeded in the Supreme Court would not suffice. The evidence of the bona fides of bank financing as contrasted with insurance company financing has been increasing with each case. Although we cannot unequivocally state that this line of distinction guarantees an accurate prognostication of future court decisions, it does indicate the reasoning that will in the future have the greatest chance of acceptance by the courts. We suggest that you keep this fact in mind as you write financed insurance. Equally important is the fact that a pure life insurance loan has never been stricken by the courts. These appear to be the two best bases upon which to support financed insurance.

Aetna Life Group Has Broader Travel Policy

Aetna Life group has issued a broadened travel accident policy that raises the maximum principal sum from $50,000 to $100,000 and makes coverage available to drivers or passengers of pleasure cars.

The more liberal policy also may be extended to cover civilian passengers on airplanes operated by the U.S. Military Air Transport Service or Canadian Air Transport Command. Formerly, coverage under the policy was limited to passengers on public conveyances. The policy is available to both men and women at all amounts from $25,000 to $100,000.

New Handbook Of Ohio Is Published

A new Underwriters Handbook of Ohio has just been published by the National Underwriter Company. It provides complete and up-to-date information on the agencies, companies, field men, general agents, groups and other organizations affiliated with insurance throughout the state. Copies of the new Ohio handbook may be obtained from the National Underwriter Company at 420 East Fourth Street, Cincinnati 2, Ohio. Price $12.50 each.

American Founders Life of Denver may adopt the name Falcon National Life if stockholders so vote at a special meeting Jan. 24. The Denver company intends to expand into other states and will encounter American Founders Life of Texas in some. The new name would avoid conflict.

Indiana Home Office Underwriters Assn. will meet Jan. 11 at Indianapolis. Dr. Harry E. Ungerleider, consulting medical director of North American Re, will discuss cardiovascular disorders.

Editorial Comment

What Company-Field Liaison Can Do

Much good can be expected from the creating of a joint company committee to meet with representatives of the national and state life underwriters associations, provided expectations of what can be accomplished through such conferences are kept within reason.

The greatest danger to the success of such an effort as this is that unrealistically hopeful field men will expect it to achieve results that are obviously beyond the power of such a setup to accomplish. As it becomes clear to these people that their desired aims are not going to be attained, they usually fail to understand that it was never in the cards in the first place. Instead, they become embittered and accuse the company people of bad faith.

The second greatest source of trouble is the people who know they have no chance of getting anywhere with their pet peeves but just want to raise a little hell with the home offices for following practices that the complainers don't like.

Obviously, the first thing the conferees should do is agree on what types of problems they should confer on and what they should consider outside their province. Then, for the wide range of "conferrable" subjects there should be, if possible, an understanding as to which kinds can be discussed with a view to effecting solutions and which ones should be discussed solely with a view to better understanding.

For example, take the problem of no-commission group. If the companies' committee feels that it is not its place to work for laws, rules or agreements that commission shall be paid on all group sales, the committee and the agents' representatives could still discuss the no-commission situation so that both sides might have the benefit of each other's thinking.

Once decisions have been reached on what subjects are to be covered and whether they are to be discussed for mutual enlightenment only or with a view to positive action, they should be reduced to writing, in full detail, and publicized as widely as possible. Only in this way can the entire field force and all company executives know what it is reasonable to expect from such a joint effort and what is considered to be not in the cards.

Such a statement, in itself, would be a major contribution to better understanding between the field and the home offices—which is one of the main reasons why the companies set up the committee and why the agents wanted it set up.

One of the chief items of better understanding could well be on the score of agents getting a more realistic appreciation of what can and can't be done about individual company practices that many agents object to.

We once asked a psychiatrist friend if it were normal for youngsters to create such a racket as was at that moment making conversation all but impossible. His reply was, "Yes, it's normal for kids to do it—and normal for parents not to like it." It seems as if it's normal for some companies to do certain things—and normal for agents not to like it.

It has long seemed to us that the agents who complain so vigorously against these practices should make up their minds whether there is anything they can do to cure or lessen them. If there is, do it. If not, there is no more sense complaining about such things than, say, the fact that so many prospects prove to be uninsurable.

A better understanding of what can and can't be cured should certainly result from the conferences of the agents' and companies' committees. The outcome, we hope, will be an increase in positive action, where it seems warranted, and a decline in fruitless griping.

Finally, not the least important result of these joint conferences should be the spotlighting of practices considered to be unsound. Naturally, companies are still going to make their own decisions in areas which they consider to be their business and no one else's. Yet if a company is doing something that is really of doubtful wisdom it will probably not keep doing it so long if there is public exploration of the pros and cons.

Maybe the agency department has a better "in" with the top management than the underwriting department, so the company is letting its hopes get the better of its judgment. When the matter is fully aired, there's a much better chance that the wise course will prevail over the expedient course much sooner than if the company had to wait until its own individual experience caught up with it.

There has been a good deal of talk about the supposedly widening gap between the field forces and the home offices. To us, it's seemed more like spots of irritation here and there, which some leaders found disturbing but which the great majority of agents found of little practical consequence in their daily work. But even so, it seems a pity that there should be any differences that can be avoided, and it looks as if the projected conferences between the new committee of the companies and representatives should serve to keep these differences to the absolute minimum, both in number and in intensity.—R.B.M.

Personals

The engagement has been announced of Miss Carolyn Bareham Dineen to James D. Randall of Washington, D. C. Both are law students of Yale University. Miss Dineen is the daughter of **Mr. & Mrs. Robert E. Dineen** of Milwaukee. Mr. Dineen is a vice-president of Northwestern Mutual Life and is a former superintendent of New York.

O. Kelley Anderson, president of New England Life, was elected to a one-year term as a board member of National Industrial Conference Board at a meeting in New York.

Robert A. Schenkelberg, president and chairman Investment Life of Cleveland, has been appointed chairman of the metropolitan division of the United Appeal of Greater Cleveland for the third straight year.

Gutmann To Be Speaker At N. Y. C. Supervisors Lunch

Harry K. Gutmann, president of New York State Life Underwriters Assn., will be the speaker at the New York City Life Supervisors Assn. luncheon, Jan. 10, at the Brass Rail Restaurant. Mr. Gutmann, who is an agent of Mutual of New York at New York, will discuss "Sales Concepts for the future."

Deaths

LESLIE W. DUNSTALL, executi vice-president Life Underwriters Ass of Canada, died Scarborough Ge eral Hospital Toronto after lengthy illness. H had served the a sociation in var ous executive c pacities since 19 when he emigra ed to Canada fro England. He w appointed assist ant secretary 1923, secretar and managing editor of the associ tion's journal in 1929, manager an secretary in 1946 and executive vic president in 1955.

Leslie W. Dunstall

Stocks

By H. W. Cornelius of Bacon, Whipple & Co
135 S. La Salle St., Chicago, Jan. 3, 1961

	Bid $	Ask $
Aetna Life	97	99
American General	30½	31
Beneficial Standard	15½	16
Business Men's Assurance	42	43
Cal.-Western States	50½	52
Commonwealth Life	21	22
Connecticut General	400	407
Continental Assurance	182	187
Franklin Life	77	79
Great Southern Life	67	B
Gulf Life	18½	19
Jefferson Standard	42½	44
Liberty National Life	59	61
Life & Casualty	16	17
Life of Virginia	55½	57
Lincoln National Life	230	235
National L. & A.	113	115
North American, Ill.	14½	15
Ohio State Life	39	41
Old Line Life	60	62
Old Republic Life	17½	19
Republic National Life	33½	35
Southland Life	90	B
Southwestern Life	53	55
Travelers	92½	94
United, Ill.	32	33
U. S. Life	42¼	43
Washington National	45	48
Wisconsin National Life	28¾	30

Republic National Holds Agency Sales Conference In Fla.

Republic National Life held an age cy sales conference at Miami Beac Almost 250 agents, general agen branch office managers, brokers a home office executives attended.

The program for the three and half day conference highlighted sal plans and goals for the new year a included talks by leading salesmen the company. One innovation w made—a ladies' breakfast with r quired attendance in order to acqua wives with future plans of the co pany and attendant opportunities f field men.

Home office executives participati included T. P. Beasley, preside Clarence J. Skelton, senior vi president and production planning c ordinator; Barry Oakes, executi vice-president; Russ Hunke, assista vice-president and general agenci director, and Edward R. Nadalin, a sistant vice-president and brokera director.

Discussion groups were headed b E. F. Brewer, senior vice-preside underwriting, Del Arneson, group o erations vice-president, and Leo Horswell, pension trust vice-preside

THE NATIONAL UNDERWRITER

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EDITORIAL OFFICE
17 John St., New York 38, N. Y.
Tel. BEekman 3-3958 TWX NY 1-3080
Kenneth O. Force, Executive Editor
John N. Cosgrove, Associate Editor
Eugene G. Downey and Jud Higgins, Assistant Editors

CHICAGO EDITORIAL OFFICE
175 W. Jackson Blvd., Chicago 4, Ill.
Tel. Wabash 2-2704 TWX CG 654
John C. Burridge, Managing Editor
Richard G. Ebel, William Faltysek and R. R. Cuscaden, Assistant Editors
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BUSINESS OFFICE
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Year-End Prices Of 300 Insurance Stocks

(CONTINUED FROM PAGE 12)

ompany	12/31/59	6/30/60	12/30/60
reat Atlantic Life	2½	2¾	2
reat Fidelity Life	3½	2	1
reat Lakes, Ill.	30	30	30
reat Natl. Life	12½	11	11
reat Plains Life	4	4	......
reat NW Life	40	35	35
reat SW Life, Tex.	2½	3	4½
reat Western Life	1⅛	1	½
uaranty Savings Life	12	8¼	7¾
amilton Natl. Life	6	5½	5½
awkeye-Sec.	70	70	67½
ome Benef. Life	460	......	......
ome Life, Pa.	100	100	105
ome Owners Life	8½	7¼	4½
ome Sec. Life	167½	......	......
ll. Mid. Cont. Life	8½	7¼	4¾
ndustrial Life	30	31½	31
ns. City Life	32	28	22½
ns. Corp. of Am.	3¼	2¾	2⅝
ns. Shares Cert.	29½	29½	34¼
nter-Ocean Ins.	50	48	48
nter-Ocean Reins.	43	50	60
nterstate Life & Acc.	10⅝	9	7¾
nvestors Sec. Life	......	......	3¾
Legal Standard	⅝	......	......
Jeff. Natl. Life	18	18	17½
Kennesaw Life & Acc.	2¼	2	1¼
Ky. Central L.&A.	11½	13	10¾
La Salle Cas.	......	......	3
Liberty L.&A., Mich.	......	2	1½
Liberty, Tex.	8¾	8	7
Liberty Life, S. C.	20	17	14
Liberty Natl. Life	60	56	59½
Life Assurance, Pa.	14	18½	17
Life Ins. Co., Ala.	......	......	18
Life Ins. Co., Ga.	......	......	58
Life Inv. of Iowa	......	2⅞	3½

Company	12/31/59	6/30/60	12/30/60
Lincoln Am. L., Tenn.	......	2½	......
Lincoln Liberty Life	......	......	8¾
Loyal Am. Life	6¼	3½	3⅜
Loyal Protective	60	52	49
Maine Fidelity Life	7	4½	3½
Mammoth L. & A.	16	17	......
Manhattan Life	415	560	570
Maryland Life	61	57	63
Maryland Natl. Ins.	14½	15	14½
Mass. Cas.	16	16½	17
Mass. Plate Glass	30	30	30
Mercantile Sec.	12⅛	11	12½
Michigan Life	350	300	275
Mid-Contin. Life, Okla.	60	60	55
Midwest Life	750	800	800
Mission, Cal.	9½	11	10¾
Mobilife	......	4	2¾
Municipal Ins.	2	2	2
Mutual Savings Life	7¾	7½	6¾
Natl. Am., Nebr.	150	160	160
Natl. Am. Life, La.	3¼	3¼	2
Natl. Bankers Life	57	45	63
Natl. Educators Life	7	6½	6½
Natl. Fidelity Life	17¾	17½	15
Natl. Home Life	......	......	9
Natl. Indem., Neb.	......	......	25
Natl. Life & Health	2⅝	2¼	......
Natl. Life, S. D.	......	......	3
Natl. Life & Health, Ida.	2⅝	2¼	......
Natl. L. & C., Ariz.	2⅝	3	2½
Natl. Public Serv.	120	120	116
Natl. Security, Ala.	6¼	4¾	5½
Natl. Security Life, Ind.	4½	3¼	2½
Natl. Stand. Life	94	98	......
Natl. Union Life	4⅜	4	3½
Natl. Western Life	6	6¾	6½
Nebr. Natl. Life	1½	3¾	3⅞
No. Am. Life & Cas.	120	130	132

Company	12/31/59	6/30/60	12/30/60
Northeastern Life	34	25	17
North Central Co.	......	......	9¼
Northern Founders, N.D.	......	3	......
Northern Life	133	134	130
Occidental Life, N. C.	7¼	4¾	5
Ohio State Life	62	43½	40
Oil Industries Life	18	15	12
Old American, Wash.	31	32	28
Old National, Tex.	6½	9¼	9
Olympic Natl. Life	45	43	42
Oxford Life	1⅛	⅞	⅝
Pacific Mutual Life	11½	11	11¾
Pacific National Life	18	18¾	15⅜
‡‡Pac. NW Sec.	118	115	125*
Palmetto State Life	19	18	18
Paul Revere Life	59	60	......
Peninsular Life	6	3¾	3⅞
Peoples Life, D.C.	40	35½	34½
Perpetual Life	......	......	¾
Phila. United Life	25	25	30
Pilgrim H. & L.	250	253	......
Pilgrim Natl., Ill.	4½	5	4⅝
Pilgrim, Ind.	3½*	5¼	4⅝
Pioneer Am. Life	25	18	18
Pioneer Life & Cas., Ala.	6¾	7	5½
Piedmont Southern Life	......	......	58
Postal Life	17½	15	16
Preferred, Mich.	13½	14½	11½
Pref. Risk Life, Colo.	......	......	4
Pref. Risk Life, Ark.	......	......	2
Producers Life, Ariz.	5	6¼	......
Prof. & Bus. Men's	34	......	......
Provident Life, N. D.	75	77	75
Protective Life	52	44	45
Protective Sec. Life	......	......	2⅝
Pub. Savings Life, S. C.	7	7	4½
Pyramid Life, N. C.	4¼	4	3⅝
Pub. Savings, Tex.	5	5	5½
Quaker City	10¾	11	10
Quaker City Life	......	......	44
Reliance Life, Ga.	1¾	......	......
Reliance L. & A., Tex.	1½	1½	1⅜
Reins. Invest. Corp.	4⅜	3¼	2⅛
Reserve Life, Tex.	652	......	......
Rio Grande Natl. Life	40	40	44
Rockford Life	30	33	34
Reserve, Ill.	......	......	12
Sam Houston Life	4	2¾	2⅞
Seaboard Life	7¼	6	5⅞
Secured	......	......	21
Security Am. Life	4	3½	3⅜
Security Life, Ga.	13	10	10
Security Life & Acc.	51	42	44
Security Life & Trust	59	45½	51½
Security Life, Miss.	46	......	......
Selected Risks, N. J.	35	35	36
Selective, Ohio	......	......	16
Service Life, Tex.	10	13	9
Service Life, Neb.	5½	4½	5
South Coast Life	4⅛	3¼	3⅛
Southern Aid Life	17	17	......
Southern Life, N. C.	82	......	......
Southern Natl. Life, Tex.	4	4	4¾
Southern States Life	9	9½	10
South. F. & C., Tenn.	4⅛	4½	5
Southern Union Life	½	½	20¢
SW Am. Life	2½	1¾	1¾
S. W. Indem. & Life	4	3⅜	3⅝
SW Reserve, Tex.	7	6	5
Standard Fire, N. J.	......	......	100
Standard Life, Miss.	55	......	......
Standard Security Life	7½	7⅛	8¼
Standard Union Life	3¼	3½	2
State F.&C., Fla.	1¼	1⅝	1⅜
State Life, Colo.	......	......	1¾
State Life, Ill.	6	5½	5¼
State Natl. Life	29	29	30
State Capital	30	29½	26¾*
State Res. Life, Tex.	36	35	......
Stonewall, Ala.	43	43	43
Superior Life, Pa.	100	121	......

Company	12/31/59	6/30/60	12/30/60
Supreme Life	27½	28	27½
Surety Life, S. C.	190	....	......
Surety Life, Utah	160	180	180
Tenn. Valley Life	10	11	......
Texas Life	37½	38	......
Traders & Gen.	14	......	14½
Transamerica	29	25¾	26⅞
Truck Und. Assn.	30	28	28½
Union Bankers, Tex.	3¾	6¾	6¾
Union Labor Life	24	......	......
Un. Trust Life, Wis.	7	6½	6
United Am., Tex.	......	9	8½
United Am. Life, Colo.	......	14	14
United Bankers Life	10	7	6
United Ben. Fire	......	......	9
United Ben. Life	750	650	735*
United Bonding	......	......	3¼
United Home, Ind.	16	15	14
United Fidelity Life	70	70	......
United L. & A.	375	385	375
United Nations Life	......	......	1¾
United Pacific	21	21	17¾
United Serv. Life	49	46	49
United Fire, N. Y.	39	40	45
United Founders Life	90¢	85¢	1.05
Univ. Guar. Life, La.	3	3	3
Universal L. & A., Tex.	70	70	71
Univ. Natl. Life	2⅝	2⅝	2½
Univ. L. & A.	......	......	1¼
Victory Life	90	80	93
Vol. State Life	55	56	57
Vulcan L. & A.	20½	16	16
West. Heritage Life	......	......	½
West. State Life, N. D.	12½	13	14¼
Western Surety	250	250	250
West. Res. Life, O.	......	......	13¼
Wolverine	71	70	50

*Offering price
†Holds New Amsterdam Cas.
‡Holds Sunset Life
††Holds Bankers Natl. Life
‡‡Holds Northern Life

Comments On The Insurance Field From The Investment Dealer's Chair

By LEVERING CARTWRIGHT

Cartwright, Valleau & Co., Board of Trade Building, Chicago

Insurance Securities Trust Fund of San Francisco finds that for the first nine months of 1960 the combined loss and expense ratio of the fire-casualty companies whose stocks it owns was 99.3. This compares with 99.2 for the same period last year. The loss ratio to premiums earned was 62.3 against 61.5 and the expense ratio to written was 37, as against 37.7. Net investment income was up 9.6%. By quarters in 1960 the combined loss-expense ratio was 99.5 for the first quarter, 96.8, second and 101.5, third.

Blyth & Co. prepared a tabulation of nine month results for 50 companies, graded according to composite results. Heading the list is Seaboard Surety, 81.8; then come Hartford Steam Boiler 84.7, with an improvement of 4.7 points; Fidelity & Deposit 86.3; Federal 93; Travelers Indemnity 96.5; Ohio Casualty 94.8; Pacific Indemnity 95.1; Security 95.4; General Reinsurance 95.9, Employers Reinsurance 96.

. Kidder, Peabody & Co., put out a similar study. They say that the average third quarter loss ratio of the companies was 6 points greater than it would otherwise have been had it not been for Donna. For the year as a whole Donna cost about 1½ points. Kidder, Peabody thinks that a further improvement in operations is likely due to the halting of inflation, higher rates, greater selectivity and lowering expenses.

—|||—

The year closed on a firm but quiet note for insurance stocks. Travelers and Aetna Life came into great favor after penetrating the barrier of the high 80s. Aetna Life reached 97½ bid, with Travelers at 93½. Lincoln National went on down to 223 after its recent runup to 255 and there met support. It closed the year at 230. St. Paul at 61 bid was a strong spot. Many of those who received their checks on tenders of New Amsterdam Casualty to the Gengras group at 64 reinvested in insurance stocks. Standard Accident was selected by many and this was at 47½ bid. NAC was regularly traded at 62 bid. Jefferson Standard Life ran up 4 points to 44 plus, and closed at 42 bid. Life Insurance Company of Virginia was strong with a bid of 56½. This was up about 3 points. There was a special offering of 5,000 shares of Federal by Blyth & Co. at 58. Kansas City Life continued strong and was 1350 bid. Hartford Fire went on up to 57¾. Security of New Haven ended the year sellers, with stock offered at 55.

There were rumors of the possible acquisition of Atlantic Life by one of the most progressive life companies in the country, and the stock of Life Companies, Inc., which owns Atlantic Life, was sought after.

Franklin Life reached 80 and then backed away 3 points. Great American Life underwriters touched 800. Wm. H. Tegtmeyer & Co., Chicago, has put out a study on GALU, observing that through these shares in effect, one indirectly buys Franklin Life stock at a substantial discount. Southland Life was very strong and at 90 bid was 10 points higher than its very recent price. General America Corp. was a favorite at about 160.

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Paine, Webber, Jackson & Curtis from the St. Paul office has prepared a study on North Central Company, which owns North Central Life. This stock was offered a few months ago at 7 and it is now 9¼ bid.

Variable Annuity Life, which was a target for tax selling and got as low as 8 bid, attracted bargain hunters and perked up half a point. Variable Annuity realized $10,800,000 from its public offering of 1,000,000 shares. This means that if all the stock could be acquired at the current price one would in effect be buying this fund for $9,000,000.

American Life Companies, Inc. of Fargo, N.D., started trading at 8 bid, offered at 8½. This owns American Life & Casualty of Fargo and a majority of the stock of Old National of Houston.

American Motorists took the novel action of declaring a 5% stock dividend. This was in lieu of the customary quarterly cash payment of 6 cents. The stock was quoted at 17 bid ex-dividend. Am. Motorists for the nine months had a combined ratio of 87.5, as against 90.8 in 1959.

Life Of Miss. Merged Into Certified Life, Shreveport

Life Insurance Company of Mississippi, Jackson, has been merged into Certified Life Assurance Co., of Shreveport. Both companies were controlled subsidiaries of Certified Credit Corp., a Columbus, O., consumer finance and investment company.

Certified Life, the surviving corporation, has capital of $250,000, surplus of more than $300,000 and assets exceeding $1 million. It will remain a subsidiary of Certified Credit.

Dan Armel, president of Certified Credit, becomes chairman of the merged companies, Thomas M. French Sr., senior vice-president of the parent organization, becomes vice-chairman, and Louis F. George, Certified Credit's vice-president in charge of insurance operations, is named president of the surviving subsidiary.

Urges Step-Rate Tax To Avert Revolt Against OASI

(CONTINUED FROM PAGE 1)

might come. It could occur before 1969; it would emerge slowly. The schedule of triennial increases of one-half of 1% already provides that the tax rate shall be boosted from its present 3% (of $4,800), to 3½% in 1963, 4% in 1966 and 4½% in 1969. (This schedule can be changed, as no contractual obligation of government is involved.) Apparently the actuarial value of the benefits is already less than the actuarial value of the taxes to be paid for a self-employed person entering the system at age 20.

There are at least two reasons, however, why OASI will not necessarily face quite the same death knell which the fraternals faced when the (uniform) assessment premium rate began to approach the level premium rate for a person of age 20. First, there is the sovereign power of government which can compel all young people to join the system. This is inherent in sovereignty; the power to tax is obviously a basic power of government.

This difference, however, can be over-emphasized, because in a democratic society the young have the right to protest. It would appear quite clear that the time is coming when they will protest, at least against paying the same rate of tax as older workers who will pay into the OASI trust fund many fewer years. The development of this protest by youth could occur before the end of this decade.

There is a second reason why the approach of this danger point may be forestalled by future changes in the social security act. Mention has already been made of the possibility of developing maternity benefits and child endowment benefits which would directly benefit young families. Such changes in the social security act now appear to be very unlikely.

Can Prevent Revolt Of Youth

The possibility of reducing or eliminating this revolt of youth by keeping before the young people the prospect of amendments by Congress in the future, increasing the benefits before and after retirement, is another matter. The history of successive increases in the benefits in the past decade does strongly suggest that young entrants at age 20 would lessen their protest against their unfair share of the tax burden if they thought that they might later gain the advantages of increases in benefits enacted by Congress in the 1960s and, indeed, in the 1970s on a scale comparable to the increase in benefits enacted by Congress during the 1950s.

This process of almost continuous increases in old age pensions alone raises a number of very fundamental questions for our society. It implies to the young that we who are older have been requiring transfer payments from them and the way for them to get even is to "go thou and do likewise" to the generation which follows them.

Such a standard of exploitation of the young, with a somewhat ruthless type of justification, will surely lead to grave consequences. At the very least, it will place our society on a most uncomfortable treadmill of time. Add a dose of inflation, and even an affluent society might go adrift. It need not happen if we profit from the failures of the early fraternals. This low level of social morality has enormous implications which cannot, however, be treated in this short article.

In this short essay on the emerging social security principle—the image—opposing arguments must be left to the students who differ with this delineation. One view, however, requires some brief comment. In the literature on social security, particularly in England, equating cost and value at age of entry has been regarded as a desirable feature. As stated above, OASI taxes and benefits for a new entrant at age 20 are approaching actuarial equality—the value of lifetime taxes (of both employer and employe) is approaching 200% of the value of lifetime benefits to the employe.

Speed In Equalizing Desirable

According to this opposing point of view, the sooner this equality is achieved, the better; the attainment of this equality marks the emergence of a more stable period. (Aggregate taxes are currently equal to only two-fifths of aggregate actuarial costs—the treadmill of time.) It is believed that the young will protest and will request at least a step-rate, lower tax rate for the young.

The power to levy uniform or graduated taxes on the wages of covered persons is beyond question one of the inherent attributes of sovereignty. The protest of the young—withdrawal of membership and refusal to join—against the old fraternals wrecked those early voluntary experiments in assessmentism (the present social security principle). The young entrants can not be expected to protest as long as they are taught falsely that the social security principle is the insurance principle.

Step-Rate Would Help

One of the reforms which prolonged the existence of some fraternals by a decade or more can be adapted to strengthen and prolong the OASI system. One type of amendment—changing the tax rate but not the benefits—could forestall the danger point comparable to that reached in the development of fraternal assessment societies, all of which have either gone into bankruptcy or have been reorganized on a legal reserve premium basis. Such an amendment would call for a step-rate tax plan instead of the present flat rate of tax regardless of age.

The OASI tax rate could be reduced from 3% to 1½% for those under 32 years of age, with the rate for those 32 to 49 years remaining at 3%, and the rate for those 50 and over increased to 4½%. The maximum annual taxes would be $72, $144, and $216, instead of $144 for all employes.

Three Steps Would Be Limit

Theoretically, 47 stairsteps in the tax rate between ages 18 and 65 would be desirable but three stairsteps might be as many as government could administer. (The chairman of the House committee on ways and means and staff members of the Social Security Administration have indicated to the author the administrative problems involved in this three-step proposal, especially the proof of attained age.

According to the data available, the decrease in the revenue resulting from the reduction in the tax rate for the younger workers would be offset by the increase in the revenue resulting from the increase in the tax rate from 3 to 4½% for persons 50 years of age and over. The aggregate revenue would not be increased or decreased; and obviously no change in benefits.

Age Limits Might Be Changed

This one, two, three stair-step plan is based upon attained age and would present a stair which the individual would climb as he passes through time. But large shifts in the age-earning distribution could, of course, require changes in the age limits of the middle group—ages 32-49 proposed above—in order to preserve the neutral effect of the three stairsteps on aggregate revenue.

The advantage to the younger taxpayers would come from collecting additional revenue from those who are now 50 years of age or older. The sooner this amendment can be enacted the greater will be the reduction of the tax burden for the younger workers. Also, immediate action will help to make the social security system more secure and postpone the evil day when, at least theoretically, the young entrant could purchase the protection for a lower premium than the taxes he is scheduled to pay.

Prudence Plus Justice

These are prudent considerations, quite apart from the essential justice of charging those who are going to pay into the OASI trust fund many years a lower amount per month than those who are going to pay in only a few years. Obviously, such an amendment would have to provide that the employer's tax rate would be the same regardless of the age of his employes. Apparently this average rate would currently be about 3%, then about 3½ in 1963, 4% is 1966, etc. The willingness and ability of workers in the age 50 and over group—the group with relatively low family expenses, seniority job rights, high savings, and high incomes—is a separate subject. Their stake in OASI is most immediate and most pressing.

Rates Would Be 1¾%, 3½%, 5¼%

This three stair-step rate would imply that in 1963 the new tax rates for employes would be 1¾% (of $4,800, or less) for the youngest age group, 3½% for the middle age group, and 5¼ for the group aged 50 and over; the maximum annual employe taxes for the three age groups would be $84, $168, and $252, instead of the uniform $168 for every attained age. In 1966 the stairsteps would be 2%, 4%, and 6%, and maximums of $96, $192, and $288, not the uniform $192.

In 1969 the stair-steps would be 2¼%, 4½%, and 6¾% with maximums of $108, $216, and $324, not the uniform $216. Thus the triennial tax increases would be one-quarter of 1%, one-half of 1%, and three-quarters of 1% instead of the uniform schedule of one-half of 1% for all ages if the basic stair-steps of 1½, 3, and 4½% were enacted before 1968.

Shows Attained-Age Figures

The proposed 1-2-3 stair-step tax rates for the three attained age groups and the annual taxes on $4,800 of wages through the scheduled changes for 1969 are summarized in the accompanying table. The entries in columns (1) and (3) are, of course, taken from existing law; proposed changes

are presented in columns (2) and (4).

Actual and Proposed Tax Rates and Maximum Taxes

	Employer		Employe Under 32 Yrs.*		Employe 32-49 Yrs.*		Employe Age 50 or Over*	
To Dec. 31, 1962	3%	($144)	1½%	($ 72)	3%	($144)	4½%	($216)
Jan. 1, 1963 to Dec. 31, 1965	3½	($168)	1¾	($ 84)	3½	($168)	5¼	($252)
Jan. 1, 1966 to Dec. 31, 1968	4	($192)	2	($ 96)	4	($192)	6	($288)
Jan. 1, 1969 to ?	4½	($216)	2¼	($108)	4½	($216)	6¾	($324)
	rise = ½%		rise = ¼%		rise = ½%		rise = ¾%	
	" = $24		" = $12		" = $24		" = $36	

* The self-employed rates and taxes would be, of course, one half higher.

This 1-2-3 stair-step tax reform would create a more equitable and stronger system, and would correct one of the sources of failure of fraternal assessment life insurance schemes which the social security principle now closely resembles. This tax reform would reduce the transfer payments from the young to the old to a small extent. The tax rate for new entrants in 1969, 2¼%, would be only one-half of the scheduled flat rate and well below the danger point. This reform would initiate a series of reforms designed to provide a more equitable distribution of the tax burden. It is too late to even hope for a full prepayment system with the equitable relationships of a full legal reserve system.

This 1-2-3 stair-step tax proposal is, indeed, a very modest reform. It would slowly reduce the public charity element. It would leave complete rationalization of the reformed OASI, however, to such non-insurance considerations as philanthropic motivations, economic growth, inflation, the aging of the electorate, the apparent slowdown in the lengthening of life.

Other Reforms Worth Studying

There are other reforms which might be considered along with the three stair-step rates of taxation outlined above if this delineation of the social security principle is correct. First, all publications and releases of the Social Security Administration should properly describe the social security principle and not call it an insurance principle unless the word assessment is used therein.

Second, it might be well to abandon the use of the term, "actuarial soundness," which has no particular applicability to fraternal assessment insurance. This comment implies no disrespect for the very fine actuarial studies that have been published by the Social Security Administration. It may continue to be necessary to look about 10 years ahead in judging the merits of contemplated changes in the social security act.

The retirement test should be changed to strengthen the other reforms. If persons who continue to work between age 65 and 72 were permitted to receive a pension for which their own personal taxes had "prepaid" the cost, it might be possible to ease the political pressure on Congress to continue weakening the retirement test. Although the maximum "prepaid" pension of $7 a month computed above would rise in the future, it can be contended that the weakening of the retirement test is going to produce a trend towards Townsendism and very high costs.

The fundamental purpose of the social security act (by 1940) was not to pay pensions when a person attained age 65 but on the further condition that he also be retired from employment. These changes in the retirement test have, of course, helped to undermine the validity of many of the fine actuarial projections that have been published from time to time by the Social Security Administration.

Hike Old Age Assistance

The social security (OASI) principle is fraternal assessment insurance backed by the sovereign power of taxation and a claims fluctuation fund (OASI trust fund). Functionally, this principle differs little from old age assistance, and it involves large transfer payments from the young to the old. A 1-2-3 stair-step tax rate, replacing the present uniform flat rate for all ages, would strengthen OASI.

In this brief article it has not been possible to submit more than a selected group of facts bearing on the heart of the question. Certainly one of the major needs at the present time is to stop, look, and listen before additional benefits are enacted and the tax rates are increased. This is an excellent time for a full-scale study and review of the social security system.

Ours is the first century of the long life for the many! OASI is far too important to warrant only a patchworkquilt future. Whither is it to go? Is it to go down the road of Townsendism? Is it to repeat the errors of fraternal assessment life insurance? Will savings at retirement increase as the Great Depression recedes further into the past? Is this "contributory" system the final answer?

Does it create too much pressure for more benefits because of the illusion that present benefits "are mine, I have paid for them?" Since OASI resembles old age assistance, would some merger under budgetary control (as in Australia) be superior to our two systems, one "contributory" and one public charity? Or should the "contributory" system be reformed and continued while the "noncontributory" system proceeds toward some lower asymptote?

Can a reformed OASI provide reasonable security for old age (and reasonable protection before retirement) based upon a reasonable distribution of the tax burden and the inherent attributes of sovereignty? These and related questions can only be properly answered by a full-scale study of the social security system, particularly of OASDI, and the manner in which it has functioned since its beginning. That study has not, in our opinion, been made.

Inter-Ocean Open House At New Home Office

An open house was held by Inter-Ocean at its new home office at Cincinnati.

The new building has three floors plus basement and will provide 38,000 feet of usable floor space. It is framed in steel and constructed of limestone, granite, concrete, glass and aluminum. Off-street parking will accommodate 90 cars.

Since the end of October, the company has been occupying the basement, ground and second floors. Most of the lobby floor is available for lease.

AAUTI Elects Gregg President At Its St. Louis Meeting

(CONTINUED FROM PAGE 1)

administrators and special consultants will be invited to become members. The first meeting is tentatively scheduled for Indiana University, Feb. 23-26.

In his presidential report, Mr. Hedges warned against hastily put-together and initiated teaching programs designed to court favor with, or to mollify, critics of higher education in general and education for business in particular.

"This has been done sometimes," Mr. Hedges stated. "I fear that without first determining the goals to be achieved or relating the program to the special situation of the institution itself, not only is it possible that much of value in the curriculum will be discarded and lost, but often the effect on the faculty is disastrous."

Stressing that he was not opposed to change, the speaker said he did believe that it was essential to the survival of education for business at the college level and of insurance as a significant part of such education.

Change, Mr. Hedges pointed out, should be based on the objectives and the goals of education for business—and the means by which these goals are to be attained. Such goals, he said, are to prepare students for (1) the intelligent exercise of management responsibilities, and, in some instances, (2) the carrying on of specialized business activities.

Discusses Goals

In discussing the means by which such goals may be attained, Mr. Hedges said that for many years a great deal of the subject matter taught in the business administration curriculum was almost purely description. This was true even of the functional areas of production, marketing and finance, the "so-called core."

But in the last decade, more or less, certain significant changes have occurred, he said. The field of management theory has assumed greater importance, bringing with it a new action-orientation and an emphasis on quantitative decision-making. More recently, greater attention has been paid to the behavioral sciences, with the goal of a better understanding of the human factor in business.

Mr. Hedges said it was imperative that insurance teachers improve their ability to contribute to the primary objective of education for business management. Perhaps even more importantly, it will be necessary to make a convincing case for the essential character of insurance education.

The speaker admitted that insurance teachers are at a serious disadvantage in reaching large numbers of students as compared with those fields contributing directly to the core work, both from the standpoint of the "captive" market offered by the required courses and from the standpoint of majors recruited from those courses.

Suggests Introductory Course

As to what steps should be taken to improve the "competitive" position of insurance teachers, Mr. Hedges suggested an introductory course of perhaps only a single semester. Such a course would identify and differentiate between the two types of risks—those deliberately assumed as a part of the price to be paid for the opportunity to seek a profit through business enterprise, and those inevitably encountered as a result of owning property and conducting business operations; concentrating on the latter, students would outline in some detail the possible methods of handling, applying traditional utility theory plus techniques adapted from statistics, mathematics, game theory, engineering, behavioral science and law; they would also analyze risk to determine the most effective methods to be employed in particular situations; examine the insurance principles, practices and coverages applicable to those risks lending themselves to treatment by the insurance method. Student involvement would be secured by applying a problem-solving or decision-making approach to selected problems or cases simulating actual business situations.

Hedges Concludes

Mr. Hedges concluded by saying that the approach he had suggested might very well result in the emergence of a new and revitalized discipline of insurance, closely integrated with both economic theory and the emerging science of business administration; in addition, it would be something unique in itself in the principles and practices to be employed in dealing with risk.

At the luncheon Thursday, Walter G. Dithmer, midwest regional director Insurance Information Institute, spoke on the purposes and functions of his organization.

It was noted at one session that applicants for fellowship, scholarships, and teaching or research assistants, with financial assistance up to $3,000 and remission of non-resident tuition, are being solicited by University of Wisconsin for its curriculum in risk, insurance, and actuarial science. Grants for financing the program come from 13 insurance companies and associations.

The school offers one and two year programs leading to a masters of business administration, or a master of science in actuarial science, and a doctor of philosophy in commerce for those preparing for teaching or research in risk, insurance, or actuarial science.

The 1961 annual will be held in New York City, Dec. 27-29.

Guardian Reduces Rates On Non-Can Disability Plans Issued After Jan. 1, 1961

Guardian Life has reduced gross premium rates on all non-cancellable disability policies, effective Jan. 1. The reduced rates will apply to all "Reliance," "Income Guardian," and "Income Defender" policies issued after that date, regardless of application date. Policies issued prior to Jan. 1 will not be affected.

The reduction is the result of favorable experience on these plans, which has resulted in dividends sometimes as high as 15%. With the lower premiums, the first-year dividend on non-can disability plans issued after Jan. 1 will be eliminated. Policies issued during 1960, at the former gross rates, will pay first-year dividends in 1961. Subsequent dividends will be based on experience, and equity will be maintained between old and new policies by means of different dividend classes.

NALU Midyear Hotel Room Reservations Being Taken

Room reservations for the 1961 midyear meeting of NALU, April 16-20, at Ft. Lauderdale, Fla., are being accepted by the hotel.

Hotel reservation cards have been mailed directly to members of the NALU national council and local and state executive secretaries. Other persons planning to attend the midyear meeting may obtain information on accommodations and rates by writing to the Galt Ocean Mile Hotel, 3200 Galt Ocean Drive, Ft. Lauderdale.

the Back Page

Presented regularly in this space for the inspiration and enlightenment of life underwriters everywhere by the Life Insurance Members of the American General Group.

MEN *ALWAYS* BUY LIFE INSURANCE

LATELY I HAVE BEEN giving thought, with much satisfaction and pleasure, to the happy fact that the life underwriter's market is constant and dependable *because men always buy life insurance.*

With changing times and changing conditions, the impelling reason for the purchase of life insurance may change, but the *result* is always the same, and so is the underlying reason: *So long as life is uncertain, so long as men love their wives and children, and so long as income is necessary to continued existence, men will always buy life insurance.*

Perhaps the most satisfying aspect of this fundamental truth is the fact that men buy life insurance, in this modern complex economy of ours, not just for the reason on one side of the coin or the other, but—happily—for the reasons on *both* sides of the coin.

For example—

A MAN BUYS LIFE INSURANCE because he *is* under social security or because he *isn't* under social security; because he is under social security, and desires to supplement, protect and preserve the social security benefits which may be his; or because he is not covered and must create his own social security instead.

A man buys life insurance because times are good or because times are bad; because times are good and he and all his friends are confident and optimistic, and money is plentiful and he has spendable margins; or because times are bad and he seeks the security of life insurance—and values it more highly than ever as he sees the failings of other property—and because other investments offer low interest rates or none, and little or no tempting promise of capital gains.

A man buys life insurance because income taxes are low or because they are high; because they are low and he has much or most of his income to use as he sees fit; or because taxes are high and he is impelled to set up life insurance trusts, to transfer life insurance ownership to others, to buy business forms of insurance, and otherwise to find every tax advantage that life insurance can offer; and because high taxes make for low *net* yields from other investments; and because they spotlight the tax advantages of settlement options.

A man buys life insurance because the stock market is up, or because it is down: because it is up and he can buy life insurance out of profits or out of confidence, and to give him *time insurance* which will underwrite and protect the still greater profits he expects to make if only he lives long enough; or because the market is down and he needs life insurance to restore lost estate values, and because the sickly market dramatizes the instability of other property and the contrasting security of life insurance.

* * * *

A MAN BUYS LIFE INSURANCE because he is under a corporate pension plan, or because he isn't: because he is, and desires to supplement that plan to make it more adequate, or more liberal, or to add a death benefit; or because he has no pension plan and thus must create his own.

A man buys life insurance because he has group insurance, or because he doesn't: because he has group insurance and thus is taught the value of life insurance, and because group insurance gives him a running start sufficient to make a life insurance program seem worthwhile; or, alternatively, because he has no group insurance and must create his own life insurance estate from the very first dollar.

A man buys life insurance because he has money or because he hasn't: because he has inherited or accumulated a substantial estate and needs life insurance to pay death taxes, to provide liquidity, to distribute his estate advantageously, and to insure the value of his future earnings; or because he has no estate, no property, save life insurance, and thus he *must* use life insurance to the full because life insurance dollars are, for him, the *only* dollars he can leave to his family.

A man buys life insurance because he owns a home, or because he doesn't: because he owns a home and has an indebtedness which makes the need for mortgage redemption insurance inexorable; or because he lives in a rented home or apartment and finds irresistible the pressure of the need for a rent insurance package which will provide shelter for his family for five or ten years after his death.

A man buys life insurance because he *can* save money, or because he *can't:* because he can save money, and thus has funds available for ready investment in life insurance, and thus the more clearly understands that when he buys life insurance he merely transfers money from one savings account to another; or because he cannot save money, and thus has dire need for the gentle compulsion which life insurance affords, and the protection against petty temptation which it provides.

A man buys life insurance because his wife has money, or because she doesn't: because his wife has money and can advantageously buy insurance on his life, which is thus taken out of his estate, and because he does not wish to ask her to live entirely on her own funds either during his lifetime or thereafter; or because she *doesn't* have money and therefore he must provide for her not merely as long as *he* lives but as long as *she* lives.

* * * * *

YES, I AM BULLISH on the market for life insurance for many, many reasons—because life insurance is always in a bull market; because there are always urgent and pressing reasons for men to buy life insurance and keep it; and most of all because whichever side of the coin may show, it reads—"There is no substitute for life insurance."

Best wishes,

American General Life Insurance Company, Houston, Texas | Knights Life Insurance Company, Pittsburgh, Pa. - Lincoln, Nebr. | The Home State Life Insurance Company, Oklahoma City, Oklahoma | Hawaiian Life Insurance Co. Ltd., Honolulu, Hawaii

Insurance In Force December 1, 1960 . . . $1,752,000,000

This is not a "do-it-yourself" kit!

THERE'S almost nothing easier to come by than amateur medical advice.

Think back to the last time when you felt somewhat less chipper than usual. Chances are someone, wholly unqualified, but with the best of intentions, told you what to do or what to take for your "run-down condition" or "nervous state" or recurring aches and pains.

Such advice makes it appear that the practice of medicine can be a sort of "do-it-yourself" activity. Actually, self-diagnosis and self-treatment can be extremely risky.

Medicines, except for the usual household remedies, are safe only when prescribed by your family physician who knows their properties.

For instance, even a "mild" cathartic, if taken for what seems to be a stomach-ache—but which is actually an unsuspected attack of appendicitis —may cause serious complications.

One of the most wasteful and possibly dangerous forms of self-medication is the use of over-the-counter reducing remedies—"medicated" pills, capsules, wafers and chewing gum.

Although such products are often "guaranteed" to reduce weight quickly and easily, don't be taken in by the glowing promises. Leave it to your physician to decide if you need any medication.

And never take left-over medicines prescribed for a previous illness. Even if your present symptoms seem the same, you may have an entirely different ailment requiring an entirely different medicine.

When it comes to drugs or diagnosis or treatment, do the safe and sensible thing—rely on no one but your physician.

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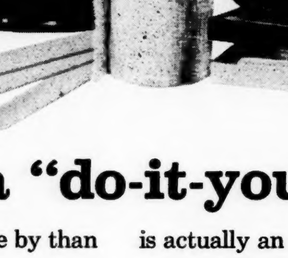

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